Draft Change Proposal – BSCP40/01	DCP No: 0041
	Version 1.0

Title

Clarifications to Gross Volume Correction (GVC) Process

Description of Problem

Background

This DCP has been raised with the input of a Gross Volume Correction (GVC) working group. The group was set up by the SVG to specifically look at issues relating to GVC and progress potential change. The group met twice, on 21 November 2008 and 13 January 2009 and has provided further comments on this DCP by correspondence.

Please note that the GVC working group did not reach agreement on all the issues raised in this Draft Change Proposal. The intention of the DCP is to seek feedback via the impact assessment process on each of the proposed clarifications in order to determine which of the changes should be progressed as a Change Proposal. Options put forward by the group included the 'do nothing' option of leaving the rules as currently specified (potentially also seeking to end the current Erroneously Large EAC/AA Trading Dispute at a defined point in the future). This has not been included as a specific option in the 'Proposed Solution' section. It is assumed that proponents of the 'do nothing' option can disagree with the proposed changes.

Gross Volume Correction

GVC is a technique used to correct errors relating to Meter Advance Periods during which some Settlement Dates have already been subject to a last reconciliation run (whether a Final Reconciliation or Post Final Settlement Run) – i.e. where part of the error has 'crystallised' in Settlement. It applies the principle that the total gross volume of energy for a given Metering System should be correct. Where energy has been misallocated to a range of Settlement Dates within a Meter Advance Period which have passed through the last reconciliation run, GVC can be applied to reallocate the lost or gained energy volume to a range of Settlement Dates which have not yet been subject to a last reconciliation run – termed the 'fluid' period. This process ensures that the total gross volume of energy is correct, although allocated to the wrong Settlement Dates/Settlement Periods.

GVC was introduced in March 2000 as a technique to address errors due to erroneous Large EACs and AAs in Settlement. Its use was later described in BSCP504 Section 4.14. Today GVC use is much broader. Under the current arrangements it can be used to address almost any NHH consumption error, no matter how old, and as such is a very powerful technique. GVC was introduced at a time when electricity prices were fairly constant, and the financial impact of Settling energy in an incorrect Settlement Period was relatively low. Electricity prices since have not only become far more volatile but have also risen dramatically. As a result the impact is far greater, particularly when (for example) energy taken in Settlement Periods in excess of 5 years ago is settled at today's market prices.

Draft Change Proposal – BSCP40/01	DCP No: 0041
	Version 1.0

Issues with the use of GVC

Under the current arrangements, GVC is an optional technique. Suppliers can legitimately use GVC selectively and apply it only where it benefits them. GVC can be used selectively and the evidence from ELEXON monitoring is that there is considerable variance in the degree to which GVC is utilised.

BSCP504 sets out the basic principles of GVC and the rules surrounding its application. However there are a number of areas where the BSCP is not prescriptive enough and further clarity is needed. The lack of definition surrounding GVC has led companies to adopt different approaches. An industry standard is needed to give Suppliers and NHHDCs control over data correction. In particular further clarity is needed regarding:

1) The purpose of GVC
2) For which errors GVC can be applied
3) Whether a NHHDC is obliged to carry out GVC when the benefit of a Supplier request to compensate for past error in terms of correcting ongoing Settlement is not apparent
4) The use of GVC where a requirement is identified by the NHHDC, rather than the Supplier
5) How GVC should be used around Change of Supplier and other key business events
6) 60 Working Day limit between Error Freezing Reading and Error Correcting Reading.

Justification for Change

ELEXON investigated Post-RF changes to Settlement data through papers SVG87/03 and SVG92/06. Analysis showed that high levels of GVC are being carried out. It also showed that Suppliers are carrying out varying degrees of GVC, not necessarily correlating to their ratio of EAC/AA error volume. There is a risk that, without clarification of the GVC process, energy allocation to Suppliers will not be equitable and that the financial certainty at the Final Reconciliation Run will be compromised. The reduction in energy volumes post-RF also impacts LDSOs in terms of calculating distribution losses and setting DUoS charges. In some cases, NHHDCs are receiving requests to perform GVC, which if applied, would result in small corrections to crystallised error. Clarifications to the existing process are required to ensure that the cost of correction should not be disproportionate to the Settlement benefit.

Proposed Solution

Changes to BSCP504 reflecting the following underlying purpose to GVC:

"The purpose of GVC is to enable the validation of reads where there is no appropriate valid alternative and to compensate for a single, partially crystallised error."

This will change GVC from a compensatory technique to a corrective technique of last resort. Its application will be driven by the need to validate data rather than the desire to compensate for lost energy. Please note that the working group also considered whether to restrict the use of GVC on the basis of the age and/or magnitude of the error, but decided that this was impractical.

Draft Change Proposal – BSCP40/01	DCP No: 0041
	Version 1.0

Changes to BSCP504 3.4.3 and 4.14 to introduce the following rules around the application of GVC:

Change 1
GVC can only be used where an error for a given metering System affects fluid Settlement Dates or to ensure that there is no ongoing Settlement impact (for example, where the forward EAC is significantly out of line with the expected consumption for the Metering System). This will enable its use only where necessary for validation, or where limited to a single partially crystallised error. It will mean that GVC cannot be used to compensate for crystallised errors unless the fluid Settlement period is impacted. Where the error is fully crystallised, i.e. the fluid period is settling correctly, GVC cannot be applied.

Change 2
Where a Supplier has requested the NHHDC to carry out GVC and the benefit of the request in terms of correcting ongoing Settlement is not apparent, the request should be referred back to the Supplier with supporting rationale for why the NHHDC does not consider that GVC is appropriate. *(Note that this change is only relevant if you support Change 1 above)*

Change 3
Clarify 3.4.3.1 to the effect that, whilst GVC is normally requested by Suppliers, NHHDCs can initiate GVC, although only with the approval of the relevant Supplier or Suppliers. Such approval can be obtained on a per-instance or delegated-authority basis, as agreed with the Supplier.

Change 4
As a last resort, where there is insufficient reading history to apply GVC, or where compensation will introduce error, a 'dummy meter exchange' (effectively re-starting the reading history and creating a break in the consumption settled) can be used instead of GVC.

Change 5
Clarification that, in the event of a change of Supplier, GVC can be applied in respect of partially crystallized error during either the period of the old Supplier's Registration or the period of the new Supplier's Registration, but GVC cannot be used to compensate in the new Supplier's Registration period for errors in the old Supplier's Registration period.

In order to correct errors across Supplier Registrations, the Change of Supplier Reading must be withdrawn and replaced, which requires the agreement of both Suppliers. However, this does not prevent GVC from being applied in respect of an erroneous AA or EAC effective on the Supply Start Date (for example, in the event of a meter rollover). GVC cannot be used to compensate for error across two Meters or two Standard Settlement Configurations (SSC).

In order to correct errors across different Meters or SSCs, the Final/Initial readings need to be withdrawn and replaced (and potentially the change of Meter/SSC needs to be backed out). GVC cannot be applied for a disconnected Metering System or a Metering System that has undergone a change of Measurement Class (NHH to HH), because the principle of applying GVC where there is an ongoing Settlement impact does not apply.

Change 6
60WD restriction is no longer relevant and should be modified to a 60WD guideline allowing shorter

Draft Change Proposal – BSCP40/01	DCP No: 0041
	Version 1.0

advance AAs if necessary.

Please note that this DCP is seeking a view on each of the six possible clarifications to BSCP504, in order to determine which (if any) to take forward in a Change Proposal(s).

Version History
Version 1.0 of DCP0041 was raised on 05 June 2009 for impact assessment.

Has this DCP been raised for discussion by a Working Group: N

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Date: 05 June 2009

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